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**FISCAL IMPACT STATEMENT**

**LS 6203**

**BILL NUMBER:** HB 1465

**NOTE PREPARED:** Nov 15, 2008

**BILL AMENDED:**

**SUBJECT:** Health Care Sharing Ministries.

**FIRST AUTHOR:** Rep. Koch

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides an exclusion from an individual's Adjusted Gross Income for amounts: (1) that the individual receives from a Health Care Sharing Ministry, a member of a Health Care Sharing Ministry, or the employer of a member of a Health Care Sharing Ministry; and (2) that an individual's employer pays on behalf of the individual because the individual is a member of a Health Care Sharing Ministry. The bill also provides an Adjusted Gross Income Tax deduction to an employer for payments that the employer makes on behalf of an employee who is a member of a Health Care Sharing Ministry.

The bill exempts a Health Care Sharing Ministry from requirements of the insurance law.

**Effective Date:** July 1, 2009; January 1, 2010.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new exclusions and the new deduction relating to Health Care Sharing Ministries. The Department's current level of resources should be sufficient to implement these changes.

**Explanation of State Revenues:** *Summary* - The potential revenue loss from this bill is indeterminable since reliable information is unavailable regarding: (1) the number of Indiana taxpayers who are members of Health Care Sharing Ministries (HCSMs); (2) the payments being made to other members of HCSMs by Indiana taxpayers; and (3) the payments being received by HCSM members who are Indiana taxpayers. The income exclusions and deduction relating to HCSMs are effective beginning in tax year 2010, so any resulting revenue loss would begin in FY 2011.

(1) The bill establishes two exclusions from an individual taxpayer's Indiana Adjusted Gross Income (AGI) for certain payments to and from HCSMs meeting requirements established under the bill. The two exclusions would cover amounts paid or received to the extent that they are included in the taxpayer's federal AGI. One exclusion applies to amounts received by the taxpayer from an HCSM, a member of an HCSM, or an employer of a member of an HCSM that are included in the taxpayer's federal AGI. The other exclusion applies to payments made in behalf of a taxpayer by the taxpayer's employer to another member of an HCSM. These two exclusions would not result in a fiscal impact since the payments involved are not currently included in a taxpayer's federal AGI.

(2) The bill establishes a deduction from adjusted gross income for an individual or corporate taxpayer who is an employer and who makes payments to a member of an HCSM in behalf of an employee who is a member of an HCSM. The HCSM must comply with requirements established under the bill for the payments to qualify for this deduction. The Alliance for Health Care Sharing Ministries claims that nationally HCSM members pay more than \$60 M per year in member health care costs. However, the extent to which these payments or any expected annual growth in such payments is attributable to Indiana taxpayers and would be deductible under the bill is unknown.

Background Information - The Alliance for Healthcare Sharing Ministries reports that membership in HCSMs exceeds 100,000 nationally and that members pay more than \$60 M per year in member health care costs. Three HCSMs were located on the Internet: Christian Care Ministry in Melbourne, Florida; Christian Healthcare Ministries in Barberton, Ohio; and Samaritan Ministries International in Peoria, Illinois. Christian Care Ministry claims to have over 50,000 members who have shared more than \$350 M in member health care costs since 1993. Likewise, Christian Healthcare Ministries claims that its members have shared \$450 M in member health care costs over a 15-year period. The number of Indiana members of HCSMs and the amount of payments made annually by the members is unknown.

Under the bill, an HCSM must be a federally tax exempt nonprofit organization comprised only of members who share similar and sincerely held religious beliefs. The HSCM would serve as a clearinghouse for its members providing information about members who require financial assistance to pay their health care costs and assigning amounts paid by other members to payment of these health care costs. The bill specifies other requirements to be met by an HCSM and exempts HCSMs from Indiana insurance law and regulation as an insurer by the Indiana Department of Insurance.

Revenue from the AGI Tax on corporations and individuals is deposited in the state General Fund.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** To the extent that the new income exclusions and the new deduction relating to HCSMs serves to decrease taxable income, counties imposing local option income taxes could potentially experience an indeterminable decrease in revenue from these taxes.

**State Agencies Affected:** Department of State Revenue; Indiana Department of Insurance.

**Local Agencies Affected:** Counties with local option income taxes.

**Information Sources:** The Alliance for Health Care Sharing Ministries, <http://www.healthcaresharing.org/>; Christian Care Ministry, <http://www.tccm.org/>; Christian Healthcare Ministries, <http://www.chministries.org/default.asp>; Samaritan Ministries International,

<http://www.samaritanministries.org/index.html>.

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